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UNCLAS SECTION 01 OF 02 MUSCAT 000900

SIPDIS

SENSITIVE

STATE FOR EB/IFD, NEA/ARPI  
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TAGS: [EIND](#) [EINV](#) [EWWT](#) [MU](#)

SUBJECT: SOHAR FIRE: BURNING INFRASTRUCTURE QUESTIONS

REF: A. MUSCAT 888

[B](#). MUSCAT 815

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Summary  
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[11](#). (SBU) A major fire destroyed roughly half of a polypropylene factory in the rapidly industrializing port city of Sohar on May 29. Authorities needed more than eight hours to contain the blaze, drawing on fire-fighting resources from over 240 km away. The incident has raised a crescendo of criticism that the massive industrial growth in Sohar has not been matched with a corresponding increase in the safety infrastructure. American and other local manufacturers are taking careful note, with many of them already relying largely on their own means, rather than on the local authorities, in the event of future emergencies. While the fire is not expected to dampen investor enthusiasm for Sohar, both foreigners and local citizens alike will doubtless demand government action to improve emergency response capabilities. End summary.

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Up In Smoke  
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[12](#). (SBU) A raging fire broke out in the waste recycling portion of the Khaleej Polypropylene factory complex in the early morning hours of May 29 in the industrial estate of Oman's booming coastal city of Sohar. Starting at 0200, the fire was largely contained only by 1000, though hot spots continued to burn until the following day, delaying the start of the fire investigation. The firm's expatriate general manager, Prem Chandran, told us that none of the plant's 217 workers were harmed in the conflagration, despite the fact it was fully staffed at the time of the fire's outbreak. While the factory's new production line (visited by Econoff and Econ FSN in April, ref B) was spared, all three metalizers and the production line for cast card polypropylene were destroyed. The firm has suspended production on all items requiring metalization, accounting for roughly half of the total output. A major Omani exporter, Khaleej Polypropylene produces nearly 40 thousand tons per year. The Muscat Securities Market likewise suspended trading of the firm's shares.

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Emergency Response Not Up To The Task?  
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[13](#). (U) As reported in ref A, the Omani authorities had considerable difficulty extinguishing the blaze, leading to extensive criticism on Internet message boards. Despite the flood of over \$10 billion in industrial investments to the Sohar region in the past year (split primarily between the industrial port and the industrial estate), there are loud charges that the government has failed to keep pace in terms of safety infrastructure. The local fire department reportedly had to await reinforcements from as far away as Buraymi (120 km) and Muscat (250 km), and even those units that showed up had to fight the blaze with water instead of the chemical foams more appropriately deployed on such types of fire. The authorities were able, however, to bring a fire-fighting helicopter into action against the blaze. GM Chandran also credited an earlier evacuation drill conducted with civil defense authorities as contributing to the safe removal of all plant personnel.

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Local Firms React  
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[14](#). (SBU) The American managers of Bechtel's Sohar aluminum smelter project were out of the country at the time of the blaze. Dow Chemical CEO of Sohar's Oman Petrochemical Industries Company (OPIC), Bill Ray (protect), was likewise abroad during this period, but told us by e-mail from Zurich that OPIC's project scope includes an indigenous fire-fighting capability because they cannot assume the local

authorities' would always be available. Nevertheless, fire and security matters are the subject of active negotiations with Sohar officials. Upon his return, Ray will study the conclusions to be drawn from the Khaleej Polypropylene experience. Oman's top exporter, Al Jazeera Tube Mills, is immediately next door to the Khaleej factory. A Jazeera company official told us that he believes much of the damage at Khaleej could have "been contained if adequate fire fighting measures were available." Al Jazeera reviewed its own fire protection systems in the wake of the incident, however, and remains confident that it has adequate protections in place.

15. (SBU) As reported previously, Sohar is currently one of the most rapidly developing industrial areas in the entire Gulf region. The city's landscape is literally changing overnight, faster than local officials can comprehend. Dow executives were unhappy during their initial negotiations with the Sohar Industrial Port regarding their multi-billion dollar petrochemical investment when told by local officials that they were expected to finance the creation of new police and fire stations to service their part of the port. Given the magnitude of their investment, Dow and OPIC are opting instead to make their plant as self-sufficient as possible, eschewing even the city's power network.

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Silver Lining  
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16. (SBU) While the fire may have a devastating impact on the Khaleej Polypropylene plant, which was only starting to recover from significant losses before its second production line opened, it is unlikely to significantly dampen the torrent of foreign direct investment in the Sohar region. Indeed, a \$300 million deal to construct an ethylene dichloride plant at the Sohar Industrial Estate was inked on May 31. By exposing the apparently inadequate local safety infrastructure without the tragic loss of life, the authorities may now be spurred to make necessary investments that will further burnish the region's attractiveness to investors. The situation, however, will likely remain under some scrutiny.

BALTIMORE